

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2007

EMAAR Properties PJSC and Subsidiaries

Consolidated Financial Statements

As at 31 December 2007

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DIRECTORS' REPORT

The Board of Directors of EMAAR Properties PJSC (the 'Company') and Subsidiaries (the 'Group') has pleasure in submitting the consolidated balance sheet of the Group as of 31 December 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year ended 31 December 2007.

Principal activities

The principal activities of the Group during the year ended 31 December 2007 were property investment and development, property management services, education, healthcare, hospitality, retail and investment in providers of financial services.

Financial Results

The Group has reported a net profit of AED 6,575 million (2006: AED 6,371 million) representing a 3% increase over the previous year.

In accordance with the Articles of Association of the Company and UAE Federal Commercial Companies Law, an appropriation of AED 658 million is made to general reserve from the distributable profit of AED 6,575 million.

The transfer to legal reserve has been suspended as the reserve has reached 50% of the paid up capital.

The Board of Directors of the Company has proposed a cash dividend of 20%, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

The balance of the distributable profit of AED 4,699 million after considering appropriation to general reserve and proposed dividend (subject to approval of the shareholders at the Annual General Meeting) will be transferred to retained earnings.

Total shareholders funds as at 31 December 2007 amount to AED 36,536 million (2006: AED 29,979 million).

Directors

H.E. Mohamed Ali Alabbar	(Chairman)
Mr. Hussain Al Qemzi	(Vice Chairman)
Mr. Ahmad Jamal Jawa	(Director)
Mr. Salem Rashed Al Mohannadi	(Director)
Mr. Mohammed Ibrahim Al Shaibani	(Director)
Dr. Lowai Mohamed Belhoul	(Director)
Mr. Majid Saif Al Ghurair	(Director)
Mr. Ahmed Thani Al Matrooshi	(Director)

Auditors

Ernst & Young were appointed as external auditors of the Group for the year ended 31 December 2007. Ernst & Young are eligible for reappointment for 2008 and have expressed their willingness to continue in office.

On behalf of the Board


Mohamed Ali Alabbar
Chairman

Dubai
12 February 2008

AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR PROPERTIES PJSC

Report on the Financial Statements

We have audited the accompanying financial statements of Emaar Properties PJSC and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of Emaar Properties PJSC and the UAE Commercial Companies Law of 1984 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of Emaar Properties PJSC; proper books of account have been kept by Emaar Properties PJSC, an inventory was duly carried out and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of Emaar Properties PJSC have occurred during the year which would have had a material effect on the business of Emaar Properties PJSC or on its financial position.

A handwritten signature in blue ink that reads "Ernst & Young" in a cursive, stylized script.

Signed by
Edward B. Quinlan (Registration No. 93)
For Ernst & Young

Dubai, United Arab Emirates
12 February 2008

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

(US \$1.00 = AED 3.673)

	Notes	2007 AED'000	2006 AED'000
Revenue	4	17,565,895	14,005,502
Cost of revenue	4	(10,640,230)	(7,039,372)
GROSS PROFIT		6,925,665	6,966,130
Other operating income		952,383	383,480
Gain on disposal of interest in subsidiary	16	-	4,854
Selling, general and administration expenses	5	(2,118,590)	(1,400,432)
Other operating expenses		(536,913)	(207,048)
Finance costs		(153,895)	(92,886)
Finance income	6	395,916	367,259
Other income		683,899	253,340
Share of results from associated companies	16	402,347	128,110
PROFIT BEFORE TAX		6,550,812	6,402,807
Income tax expense	7	(14,454)	(47,068)
PROFIT FOR THE YEAR		6,536,358	6,355,739
ATTRIBUTABLE TO:			
Equity holders of the parent		6,575,314	6,371,147
Minority interest		(38,956)	(15,408)
		6,536,358	6,355,739
Earnings per share attributable to the equity holders of the parent:			
- basic earnings per share	26	AED 1.08	AED 1.05
- diluted earnings per share	26	AED 1.08	AED 1.05

The attached notes 1 to 32 form part of these financial statements.

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED BALANCE SHEET

At 31 December 2007

(US \$1.00 = AED 3.673)

	Notes	31 December 2007 AED'000	31 December 2006 AED'000 (Restated)
ASSETS			
Bank balances and cash	8	4,726,616	2,329,278
Trade receivables	9	928,476	600,925
Other receivables, deposits and prepayments	11	2,705,232	2,089,211
Deposit for share capital of Emaar MGF	12	-	1,469,200
Development properties	13	16,194,020	11,121,425
Securities	14	4,560,642	2,516,992
Loans to associates	15	537,829	851,847
Investments in associates	16	9,107,297	6,594,214
Property, plant and equipment	17	7,433,222	4,184,559
Investment properties	18	5,635,573	6,970,508
Goodwill	10	2,961,968	2,961,968
TOTAL ASSETS		54,790,875	41,690,127
LIABILITIES AND EQUITY			
LIABILITIES			
Trade and other payables	19	8,825,902	6,265,438
Interest-bearing loans and borrowings	20	7,703,753	3,992,210
Retentions payable	21	1,054,560	875,827
Provision for employees' end-of-service benefits	22	18,394	11,992
TOTAL LIABILITIES		17,602,609	11,145,467
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	23	6,091,239	6,075,553
Employees' performance share program		(1,446)	(2,927)
Reserves	24	16,494,778	14,669,084
Retained earnings		13,951,469	9,237,022
		36,536,040	29,978,732
Minority interest		652,226	565,928
TOTAL EQUITY		37,188,266	30,544,660
TOTAL LIABILITIES AND EQUITY		54,790,875	41,690,127

The consolidated financial statements were authorised for issue on 12 February 2008 by:

Chairman

Director

The attached notes 1 to 32 form part of these financial statements.

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

(US \$1.00 = AED 3.673)

		2007 AED'000	2006 AED'000
	Notes		
OPERATING ACTIVITIES			
Profit for the year		6,536,358	6,355,739
Adjustments for:			
Share of results of associated companies	16	(402,347)	(128,110)
Depreciation	5	180,958	118,004
Provision for employees' end-of-service benefits, net	22	6,402	2,957
Gain on disposal of subsidiary	16	-	(4,854)
Provision for income tax expense	7	14,454	47,068
Cost of share based payments	22	16,565	18,751
Gain on disposal of investment properties		(418,278)	-
Reversal of provision for impairment loss	4	(291,076)	-
Write down of development properties	4	458,409	-
Loss / (gain) on disposal of property, plant and equipment		53	(352)
Gain on disposal of securities		(33,858)	(35,811)
Cash from operations before working capital changes:		6,067,640	6,373,392
Trade receivables		(312,267)	217,156
Other receivables, deposits and prepayments		(616,021)	(24,435)
Development properties		(733,469)	(3,869,745)
Trade and other payables		1,437,362	49,375
Retentions payable	21	178,733	142,706
Income tax paid	7	(48,576)	(6,243)
Net cash from operating activities		5,973,402	2,882,206
INVESTING ACTIVITIES			
Purchase of securities		(2,299,842)	(930,525)
Proceeds from disposal of securities		833,135	1,083,354
Proceeds from disposal of subsidiary, net of cash & cash equivalents transferred		-	558
Consideration for acquisition of subsidiary net of cash & cash equivalents received	10	(249,493)	(4,223,913)
Deposit for share capital subscription for Emaar MGF	12	-	(1,469,200)
Net additional investments in associates		(525,466)	(3,387,889)
Amounts incurred on investment properties	18	(179,686)	(183,704)
Proceeds from sale of investment properties		495,931	-
Purchase of property, plant and equipment	17	(3,695,997)	(2,504,165)
Proceeds from sale of property, plant and equipment		78,146	2,751
Deposits under lien or maturing after three months	8	(1,514,815)	252,182
Net cash used in investing activities		(7,058,087)	(11,360,551)
FINANCING ACTIVITIES			
Dividend paid	25	(1,199,011)	(2,355,200)
Interest bearing loans and borrowings	20	6,678,059	5,132,975
Repayment of interest bearing loans and borrowings	20	(3,697,191)	(3,566,986)
Funds invested by minority shareholders		262,633	150,183
Repayment to minority shareholders		(164,687)	(155,418)
Proceeds from rights issue	23	78,430	1,476,886
Received on vesting of share options	22	1,481	1,459
Net cash from financing activities		1,959,714	683,899
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		875,029	(7,794,446)
Net foreign exchange difference		7,494	7,897
Cash and cash equivalents at the beginning of the year	8	1,249,156	9,035,705
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	2,131,679	1,249,156

The attached notes 1 to 32 form part of these financial statements.

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

(US \$1.00 = AED 3.673)

Attributable to equity holders of the Parent

	Share capital AED '000	Employee performance share program AED '000	Reserves AED '000	Retained earnings AED '000	Total AED '000	Minority interest AED '000	Total equity AED '000
Balance at 1 January 2007	6,075,553	(2,927)	14,669,084	9,237,022	29,978,732	565,928	30,544,660
Increase in unrealised gains/(losses) reserve (note 24)	-	-	642,544	-	642,544	-	642,544
Increase in foreign currency translation reserve (note 24)	-	-	462,875	-	462,875	27,308	490,183
Net income and expense recognised directly in equity	-	-	1,105,419	-	1,105,419	27,308	1,132,727
Profit for the year	-	-	-	6,575,314	6,575,314	(38,956)	6,536,358
Total income and expense for the year	-	-	1,105,419	6,575,314	7,680,733	(11,648)	7,669,085
Transfer to reserves	-	-	657,531	(657,531)	-	-	-
Directors' fees	-	-	-	(4,790)	(4,790)	-	(4,790)
Dividends – 2006 (note 25)	-	-	-	(1,215,111)	(1,215,111)	-	(1,215,111)
Issuance of shares under employees' performance share program (note 22)	-	1,481	-	-	1,481	-	1,481
Cost of share based payments (note 22)	-	-	-	16,565	16,565	-	16,565
Rights issue (note 23)	15,686	-	62,744	-	78,430	-	78,430
Additional capital contribution by minority shareholders	-	-	-	-	-	262,633	262,633
Funds withdrawn by minority shareholders	-	-	-	-	-	(164,687)	(164,687)
Balance at 31 December 2007	6,091,239	(1,446)	16,494,778	13,951,469	36,536,040	652,226	37,188,266

The attached notes 1 to 32 form part of these financial statements.

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

(US \$1.00 = AED 3.673)

Attributable to equity holders of the Parent

	Share capital AED '000	Employee performance share program AED '000	Reserves AED '000	Retained earnings AED '000	Total AED '000	Minority interest AED '000	Total equity AED '000
Balance at 1 January 2006	5,780,176	(4,386)	13,922,653	5,862,479	25,560,922	135,386	25,696,308
(Decrease) in unrealised gains/(losses) reserve (note 24)	-	-	(1,080,090)	-	(1,080,090)	-	(1,080,090)
Increase in foreign currency translation reserve (note 24)	-	-	7,897	-	7,897	-	7,897
Net income and expense recognised directly in equity	-	-	(1,072,193)	-	(1,072,193)	-	(1,072,193)
Profit for the year	-	-	-	6,371,147	6,371,147	(15,408)	6,355,739
Total income and expense for the year	-	-	(1,072,193)	6,371,147	5,298,954	(15,408)	5,283,546
Transfer to reserves	-	-	637,115	(637,115)	-	-	-
Directors' fees	-	-	-	(4,490)	(4,490)	-	(4,490)
Dividends – 2005	-	-	-	(2,373,750)	(2,373,750)	-	(2,373,750)
Issuance of shares under employees' performance share Program (note 22)	-	1,459	-	-	1,459	-	1,459
Cost of share based payments (note 22)	-	-	-	18,751	18,751	-	18,751
Rights issue	295,377	-	1,181,509	-	1,476,886	-	1,476,886
Additional capital contribution by minority shareholders	-	-	-	-	-	237,958	237,958
Acquisition/disposal of subsidiaries	-	-	-	-	-	363,410	363,410
Funds withdrawn by minority shareholders	-	-	-	-	-	(155,418)	(155,418)
Balance at 31 December 2006	6,075,553	(2,927)	14,669,084	9,237,022	29,978,732	565,928	30,544,660

The attached notes 1 to 32 form part of these financial statements.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

1 DOMICILE AND ACTIVITIES

EMAAR Properties Public Joint Stock Company ("the Company" or "the Parent") was established as a public joint stock company by Ministerial Decree number 66 in the year 1997. The Company was established on 23 June 1997 and commenced operations on 29 July 1997. The Company and its subsidiaries constitute the Group ('the Group'). The Company's registered office is at P.O. Box 9440, Dubai, United Arab Emirates. The shares of the Company are traded on the Dubai Financial Market.

The principal activities of the Group are property investment and development, property management services, education, healthcare, retail, hospitality and investments in providers of financial services.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of United Arab Emirates laws.

The consolidated financial statements have been presented in thousands of UAE Dirhams, which is the functional currency of the company.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments and derivatives.

Basis of consolidation

Subsidiary Companies

The consolidated financial statements comprise the financial statements of Emaar Properties PJSC and its subsidiaries drawn up to 31 December 2007. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets are eliminated in full. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised in goodwill.

Associated Companies

Associated companies are companies in which the Group has significant influence, but not control, over the financial and operating policies. In the consolidated financial statements, investments in associated companies are accounted for using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. Investments in associated companies are carried in the balance sheet at cost, plus post acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The income statement reflects the Group's share of the results of its associates.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those used in the previous year except for application of new IASB standards and interpretations with effect from 1 January 2007. These changes have resulted in additional disclosures being included for the years ended 31 December 2007 and 31 December 2006.

Amendments to IAS 1 – Capital Disclosures

Amendments to IAS 1 *Presentation of Financial Statements* were issued by the IASB as *Capital Disclosures* in August 2006. They were required to be applied for periods beginning on or after 1 January 2007. As a result of these amendments, disclosure of information enabling evaluation of the group's objectives, policies and processes for managing capital has been made.

2.2 CHANGES IN ACCOUNTING POLICIES - continued

IFRS 7 Financial Instruments: Disclosures

IFRS 7 *Financial Instruments: Disclosures* was issued by the IASB in August 2006, becoming effective for periods beginning on or after 1 January 2007. As a result of the adoption, additional disclosures of the significance of financial instruments of the Group's financial position and performance and information about exposure to risks arising from financial instruments have been made.

IFRIC 9 Reassessment of Embedded Derivatives

The Group has adopted IFRIC Interpretation 9 as on 1 January 2007, which states that the date to assess the existence of an embedded derivative is the date that an entity first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

IFRIC 10 Interim Financial Reporting and Impairment

The Group has adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of an investment in either an equity instrument or a financial asset carried at cost.

Adoption of these interpretations did not have a significant impact on the Group's financial statements for the current year.

IASB Standards and Interpretations issued but not adopted

The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Group:

IFRS 8 Operating Segments

IFRS 8 *Operating Segments* was issued by the IASB in November 2007, becoming effective for periods commencing on or after 1 January 2009. The new standard may require changes in the way the Group discloses information about its operating segments.

IAS 1 Presentation of Financial Statements

A revised IAS 1 *Presentation of Financial Statements* was issued on 6 September 2007 and becomes effective for the annual periods commencing on or after 1 January 2009. The application of the standard will result in amendments to the presentation of financial statements.

IAS 23 Borrowing Costs

A revised IAS 23 *Borrowing Costs* was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group accounting policy is already in accordance with this revised standard.

IFRIC 12 Service Concession Arrangements

IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. This Interpretation is not expected to have any impact on the Group.

IFRIC 13 Customer Loyalty Programmes

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this interpretation will have no significant impact on the Group's financial statements.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

2.2 CHANGES IN ACCOUNTING POLICIES - continued

IFRIC 14 IAS 19- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The Group expects that this Interpretation will have no impact on the financial position or performance of the Group.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant impact on the amounts recognised in the financial statements.

Investment properties

The Group has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Classification of investment properties

The Group has determined that hotels and serviced apartment buildings operated by the Group are to be classified as part of property, plant and equipment rather than investment properties.

Operating Lease Commitments--Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Transfer of equitable interest in development properties

The Group has entered into a number of contracts with buyers for the sale of land, villas and condominium units. Management has determined that equitable interest in such assets and therefore risks and rewards of the ownership are transferred to the buyer once he is committed to complete the payment for the purchase. This commitment is evidenced by a signed contract for the purchase of the property and payments of sufficient progress payments. Based on this, the Group recognises revenues and profits as the acts to complete the property are performed.

Classification of equity investments

The Group invests in both quoted and unquoted equities. Management does not wish to account for short term unrealised gains or losses in the income statement and therefore has decided to classify such investments as "available for sale". Any short term unrealised gains or losses are treated as part of equity.

Estimation uncertainty

Costs to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure activities, potential claims by sub contractors and the cost of meeting other contractual obligations to the customers.

Valuation of investment properties

The Group hires the services of third party valuers to obtain estimates for the market value of investment properties for the purposes of their impairment review and disclosure in the financial statements.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - continued

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of these cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows: -

Sale of property

Revenue on sale of plots of land is recognised on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the financial statements, is adequate (20% and above) to demonstrate a commitment to pay for the property;
- The Group's receivable is not subject to future subordination;
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed is both easily measurable and accrued or is not significant in relation to the overall value of the contract.

Revenue on sale of condominiums and villas is recognised on the basis of percentage completion as and when all of the following conditions are met:

- The buyer's investment, to the date of the financial statements, is adequate (20% and above) to demonstrate a commitment to pay for the property;
- Construction is beyond a preliminary stage. The engineering, design work, construction contract execution, site clearance and building foundation are finished;
- The buyer is committed. The buyer is unable to require a refund except for non-delivery of the unit. Management believes that the likelihood of the Group being unable to fulfil its contractual obligations for this reason is remote; and
- The aggregate sales proceeds and costs can be reasonably estimated.

Lease to buy scheme

Sales under the lease to buy scheme are accounted as follows:

- Rental income during the period of lease is accounted for on a straight-line basis until such time the lessee exercises its option to purchase;
- When the lessee exercises its option to purchase, a sale is recognised in accordance with the revenue recognition policy for sale of property as stated above; and
- When recognising the sale, revenue is the amount which the lessee has to pay at the time of exercising the option to acquire the property.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –continued

Lease of investment property

Rental income from investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

Interest Revenue

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Services

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

Cost of revenues

Cost of revenues includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of revenues in respect of condominiums and villas is based on the estimated proportion of the development cost incurred to date to the estimated total development costs for each project. The cost of revenues in respect of land sales is based on the total estimated cost of the land site over the total usable land area in a particular development.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Income tax

Taxation is provided in accordance with the relevant fiscal regulations of the countries in which the Group operates.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to the tax payable in respect of prior years.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Trade receivables

Trade receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Loans and advances

Loans and advances are stated at amortised cost net of interest suspended and provisions for impairment. All loans and advances are recognised when cash is disbursed to borrowers.

Expenses incurred in making loans or advances are charged to the income statement in the year of disbursing these loans and advances.

Securities

Available-for-sale investments

Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as “cumulative changes in fair value” within equity is included in the income statement for the period.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. Such investments are measured at amortised cost. When a held-to-maturity investment is determined to be impaired, the amount of the loss is included in the consolidated statement of income.

Development Properties

Properties acquired, constructed or in the course of construction for sale are classified as development properties. Unsold properties are stated at the lower of cost or net realisable value. Properties in the course of development for sale are stated at cost plus attributable profit/loss less progress billings. The cost of development properties includes the cost of land and other related expenditure which are capitalised as and when activities that are necessary to get the properties ready for sale are in progress. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. At that stage, cost, attributable profit and progress billings are eliminated from development properties.

The Board of Directors reviews the carrying values of the development properties on an annual basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Leasehold improvements	2-5 years
Sales centres	1-5 years
Other buildings	10 - 45 years
Computers and office equipment	2 - 5 years
Plant, machinery & heavy equipment	3 - 20 years
Motor vehicles	3 - 5 years
Fixtures	2 - 10 years
Furniture and other assets	2 - 4 years

No depreciation is charged on capital work in progress. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investment properties

Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

Buildings	10 - 45 years
Fixed furniture	10 years
Movable furniture	4 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Properties are transferred from investment properties to development properties when, and only when, there is a change in use, evidenced by commencement of development with a view to sale. Such transfers are made at the carrying value of the properties at the date of transfer.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 Segment Reporting

Where goodwill forms part of a cash generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment

Property, plant and equipment and investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have reduced.

Derivatives

The Group enters into forward foreign exchange contracts to hedge its exposure to exchange rate risk. Such derivatives are stated at fair value. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Derivatives - continued

Changes in the fair values of derivatives held for trading activities or to offset other trading positions are included in other operating income in the income statement.

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; (b) cash flow hedges which hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

Changes in the fair value of derivatives that are designated, and qualify, as fair value hedges and that prove to be highly effective in relation to the hedged risk, are included in other operating income along with the corresponding changes in the fair value of the hedged assets or liabilities which are attributable to the risk being hedged.

Changes in the fair value of derivatives that are designated, and qualify, as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognised in a separate component of equity, and the ineffective portion recognised in the income statement. The gains or losses on cash flow hedges recognised initially in equity are transferred to the income statement in the period in which the hedged transaction impacts the income. Where the hedged transaction results in the recognition of an asset or a liability the associated gain or loss that had been initially recognised in equity is included in the initial measurement of the cost of the related asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Upon such discontinuance in the case of cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. When such transactions occur the gain or loss retained in equity is recognised in the income statement or included in the initial measurement of the cost of the related asset or liability, as appropriate. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

End of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Share based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which the awards are granted. The cost of equity-settled transactions with employees is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Under the company Programme, awards, which represent the right to purchase the Company's ordinary shares at par, will be allocated to eligible employees (including executive directors) of the Company.

Foreign currency translations

The consolidated financial statements are presented in UAE Dirhams (AED) which is the functional currency of the parent company. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

As at the reporting date, the assets and liabilities of subsidiaries with functional currencies other than AED are translated into AED at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the year. The differences arising on the translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognised in equity relating to that entity is recognised in the income statement.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Fair values

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

3 SEGMENT INFORMATION

Business segment:

For management purposes, the Group is organised into two major business segments.

The real estate segment develops and sells condominiums, villas and plots of land and related leasing activities. Other segments include businesses that individually do not meet the criteria for a reportable segment as per IAS 14. These businesses are property management services, education, healthcare, hospitality and investment in providers of financial services.

Income from sources other than the real estate segment is included in other operating income.

Geographic segments:

The Group is currently developing a number of international business opportunities outside the United Arab Emirates that will have a significant impact in future periods. During the year, the group has also acquired a 60% additional holding in Emaar Misr for Development S.A.E., an unlisted limited liability company in Egypt (note 10).

The domestic segment includes business activity and operations in the UAE and the international segment includes business activity and operations outside the UAE.

Business Segments

The following tables represent revenue and profit information and certain asset and liability information regarding business segments for the years ended 31 December 2007 and 2006.

<i>2007</i>	<i>Real estate AED '000</i>	<i>Others AED '000</i>	<i>Eliminations AED '000</i>	<i>Total AED '000</i>
Revenue				
Sales to external customers	17,565,895	-	-	17,565,895
Total revenue	17,565,895	-	-	17,565,895
Results				
Profit before tax, finance costs, finance income, share of profit from associates and gain on disposal of subsidiaries	5,963,712	(57,268)	-	5,906,444
Assets and liabilities				
Segment assets	51,324,032	6,808,674	(3,341,831)	54,790,875
Segment liabilities	16,890,454	2,877,958	(2,165,803)	17,602,609
Other segment information				
Capital expenditure (Property, plant and equipment)	2,458,695	1,237,302	-	3,695,997
Depreciation (Property, plant and equipment)	74,706	80,952	-	155,658

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

3 SEGMENT INFORMATION – continued

Business Segments - continued

2006:

	<i>Real estate AED '000</i>	<i>Others AED '000</i>	<i>Eliminations AED '000</i>	<i>Total AED '000</i>
Revenue				
Sales to external customers	14,005,502	-	-	14,005,502
Total revenue	<u>14,005,502</u>	<u>-</u>	<u>-</u>	<u>14,005,502</u>
Results				
Profit before tax, finance costs, finance income, share of profit from associates and gain on disposal of subsidiaries	<u>6,039,558</u>	<u>(44,088)</u>	<u>-</u>	<u>5,995,470</u>
Assets and liabilities				
Segment assets	<u>39,576,260</u>	<u>3,755,036</u>	<u>(1,641,169)</u>	<u>41,690,127</u>
Segment liabilities	<u>10,805,259</u>	<u>1,388,769</u>	<u>(1,048,561)</u>	<u>11,145,467</u>
Other segment information				
Capital expenditure (Property, plant and equipment)	<u>1,655,062</u>	<u>849,103</u>	<u>-</u>	<u>2,504,165</u>
Depreciation (Property, plant and equipment)	<u>65,116</u>	<u>30,324</u>	<u>-</u>	<u>95,440</u>

Geographic Segments

The following tables represent revenue and profit information and certain asset and liability information regarding geographic segments for the years ended 31 December 2007 and 2006.

2007:

	<i>Domestic AED '000</i>	<i>International AED '000</i>	<i>Total AED '000</i>
Revenue			
Sales to external customers	14,054,375	3,511,520	17,565,895
Total revenue	<u>14,054,375</u>	<u>3,511,520</u>	<u>17,565,895</u>
Assets			
Segment assets	28,392,470	17,291,108	45,683,578
Investment in associates	2,219,696	6,887,601	9,107,297
Total assets	<u>30,612,166</u>	<u>24,178,709</u>	<u>54,790,875</u>
Other segment information			
Capital expenditure (Property, plant and equipment)	<u>3,491,746</u>	<u>204,251</u>	<u>3,695,997</u>

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

3 SEGMENT INFORMATION – continued

Geographic Segments- continued

2006

	<i>Domestic AED '000</i>	<i>International AED '000</i>	<i>Total AED '000</i>
Revenue			
Sales to external customers	11,015,221	2,990,281	14,005,502
Total revenue	<u>11,015,221</u>	<u>2,990,281</u>	<u>14,005,502</u>
Assets			
Segment assets	22,047,659	13,048,254	35,095,913
Investment in associates	1,395,417	5,198,797	6,594,214
Total assets	<u>23,443,076</u>	<u>18,247,051</u>	<u>41,690,127</u>
Other segment information			
Capital expenditure (Property, plant and equipment)	<u>2,276,352</u>	<u>227,813</u>	<u>2,504,165</u>

4 REVENUE AND COST OF REVENUE

	<i>2007 AED '000</i>	<i>2006 AED '000</i>
Revenue:		
Sale of condominiums	8,670,040	5,119,869
Sale of villas	6,093,713	5,240,730
Sale of plots of land	1,496,452	3,034,618
Other revenue	1,305,690	610,285
	<u>17,565,895</u>	<u>14,005,502</u>
Cost of revenue:		
Cost of condominiums	6,136,740	3,138,688
Cost of villas	3,627,098	3,368,313
Cost of plots of land	311,690	388,963
Cost of other revenue	397,369	143,408
Write down of development properties	458,409	-
Reversal of provision for impairment loss of investment property (note 18)	(291,076)	-
	<u>10,640,230</u>	<u>7,039,372</u>

AED 458,409 thousands relates to the write down of development properties in the Group's US subsidiary WL Homes LLC.

AED 291,076 thousands relates to the reversal of provision of impairment loss on investment property recognised in previous years.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

5 SELLING, GENERAL AND ADMINISTRATION EXPENSES

	2007 AED'000	2006 AED'000
Payroll and related expenses	703,985	507,452
Sales and marketing expenses	632,555	396,631
Depreciation of property, plant and equipment (note 17)	155,658	95,440
Depreciation of investment properties (note 18)	25,300	22,564
Contribution to educational and other charitable funds	79,164	55,499
Property management expenses	46,673	47,793
Other expenses	475,255	275,053
	<u>2,118,590</u>	<u>1,400,432</u>

6 FINANCE INCOME

	2007 AED'000	2006 AED'000
Finance income on fixed deposits with banks	178,742	217,227
Other finance income	217,174	150,032
	<u>395,916</u>	<u>367,259</u>

7 INCOME TAX

	2007 AED'000	2006 AED'000
Income statement:		
Current income tax:		
Current income tax expenses	<u>14,454</u>	<u>47,068</u>
Current Liabilities:		
Balance as at 1 January	55,677	-
Current year	14,454	47,068
Prior years	-	14,852
Less: paid during the year	<u>(48,576)</u>	<u>(6,243)</u>
	<u>21,555</u>	<u>55,677</u>

The tax expense relates to the tax payable on the profit earned by the subsidiaries, as adjusted in accordance with the taxation laws and regulations of the countries in which the Group operates.

The prior year tax liability relates to the tax liability of the acquired entities existing at the time of acquisition.

	2007 AED'000	2006 AED'000
The relationship between the tax expense and the accounting profit can be explained as follows:		
Accounting profit before tax	<u>6,550,812</u>	<u>6,402,807</u>
At the UAE applicable tax rate of 0%	-	-
Effect of higher tax rates in other jurisdictions	<u>14,454</u>	<u>47,068</u>
At the effective income tax rate of 0.2% (2006- 0.7%)	<u>14,454</u>	<u>47,068</u>

The income tax charge arises primarily from the Group's operations in the United States of America and the United Kingdom.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

8 BANK BALANCES AND CASH

	2007 AED'000	2006 AED'000
Cash in hand	1,823	1,267
Current and call deposit accounts	1,148,590	537,599
Fixed deposits maturing within three months	981,266	710,290
	<u>2,131,679</u>	<u>1,249,156</u>
Cash and cash equivalents		
Fixed deposits under lien	-	808,672
Fixed deposits maturing after three months	2,594,937	271,450
	<u>4,726,616</u>	<u>2,329,278</u>

Cash at banks earns interest at floating rates based on prevailing bank deposit rates. Short term fixed deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Fixed deposits having a maturity after three months earn interest at rates between 5.35% and 5.80% (2006: between 5.60% and 5.75%).

9 TRADE RECEIVABLES

	2007 AED'000	2006 AED'000
Amounts receivable within 12 months	745,860	600,925
Amounts receivable after 12 months	182,616	-
	<u>928,476</u>	<u>600,925</u>

As at 31 December, the ageing analysis of trade receivables is as follows:

	Total AED'000	Neither past due nor impaired AED'000	Past due but not impaired			
			Less than 30 days AED'000	Between 30 to 60 days AED'000	Between 60 to 90 days AED'000	More than 90 days AED'000
2007	928,476	272,157	381,093	86,890	28,854	159,482
2006	600,925	164,146	155,428	110,268	56,649	114,434

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

10 BUSINESS COMBINATIONS

The total goodwill arising from the acquisitions to date is AED 2,961,968 thousands. This goodwill has been allocated to cash generating units representing the individual entities acquired and has been tested for impairment using a value in use model. The calculation of value in use is sensitive to the following assumptions:

Gross margins – Gross margins are based on the expectations of management based on past experience and expectation of future market conditions.

Discount rates – Discount rates reflect management's estimate of the risks specific to each unit. The discount rate is based on the risk free rate of the investment's country, market risk premium related to the industry and individual unit related risk premium / discount. This is the benchmark used by management to assess performance and to evaluate future investment proposals. Management estimates that such discount rate to be used for evaluation of the investment should be between 9% and 10%.

Growth rate estimates – Management of each unit prepares a five year budget based on their expectations of future results, thereafter a growth rate of 1% to 4% is assumed.

Acquisition of Emaar Misr for Development S.A.E

On 29 March 2007, the group has acquired a 60% additional holding in Emaar Misr for Development S.A.E. ("Emaar Misr"), an unlisted limited liability company in Egypt, thereby resulting in 100% ownership and control of the entity. If this acquisition had taken place at the beginning of the year, the Group profit after tax for the year would have been AED 6,567,984 thousands and revenue from continuing operations would have been AED 17,565,895 thousands.

The fair value of the identifiable assets and liabilities of Emaar Misr as at the date of acquisition were:

	<i>Recognised on acquisition AED'000</i>	<i>Carrying value AED'000</i>
Bank balances and cash	272,035	272,035
Trade receivables	15,284	15,284
Development properties	2,843,811	2,295,047
Property, plant and equipments	1,754	1,754
	<u>3,132,884</u>	<u>2,584,120</u>
Trade and other payables	1,619,474	1,619,474
Interest-bearing loans and borrowings	730,675	730,675
	<u>2,350,149</u>	<u>2,350,149</u>
Net assets acquired	782,735	233,971
Less: interest held as an associate by the Group prior to acquisition	(261,207)	
Total acquisition cost	<u>521,528</u>	

The total acquisition cost of AED 521,528 thousands was paid in cash.

Cash outflow on acquisition:

	<i>2007 AED'000</i>
Net cash acquired with the subsidiary	272,035
Acquisition cost paid in cash	(521,528)
Net cash outflow	<u>(249,493)</u>

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

10 BUSINESS COMBINATIONS - continued

Acquisition of WL Homes LLC

On 1 June 2006 (the acquisition date), the Group acquired 100 % of the voting shares of WL Homes LLC, an unlisted limited liability company headquartered in Newport Beach, California, United States of America. WL Homes LLC is a residential home builder having business in California and Colorado. During 2006, consolidated financial statements include the results of WL Homes LLC for the seven month period from the acquisition date. The fair values of the identifiable assets and liabilities of WL Homes LLC as at the date of acquisition were:

	<i>Recognised on acquisition AED'000</i>	<i>Carrying value AED'000</i>
Bank balances and cash	303,265	303,265
Development properties	3,941,401	3,718,303
Other receivables, deposits and prepayments	49,204	49,204
Investment in associates	214,249	202,122
Loans to associates	53,589	53,589
Fixed assets	21,032	21,032
	<u>4,582,740</u>	<u>4,347,515</u>
Trade and other payables	553,155	553,155
Loans from financial institutions	2,166,986	2,166,986
Minority interest	365,651	365,651
	<u>3,085,792</u>	<u>3,085,792</u>
Net assets acquired	1,496,948	<u>1,261,723</u>
Goodwill arising on acquisition	2,522,577	
Total acquisition cost	<u>4,019,525</u>	

The total acquisition cost of AED 4,019,525 thousands was paid in cash.

	<i>2006 AED'000</i>
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	303,265
Acquisition cost paid in cash	(4,019,525)
Net cash outflow	<u>(3,716,260)</u>

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

10 BUSINESS COMBINATIONS - continued

Acquisition of Hamptons Group Limited

On 24 August 2006 (the acquisition date), the Group acquired 100 % of the voting shares of Hamptons Group Limited ("Hamptons"), an unlisted limited liability company headquartered in London, United Kingdom (UK). Hamptons is a realtor and property management consultant in UK. During 2006, consolidated financial statements include the results of Hamptons from the acquisition date.

The fair value of the identifiable assets and liabilities of Hamptons as at the date of acquisition were:

	<i>Recognised on acquisition AED'000</i>	<i>Carrying value AED'000</i>
Bank balances and cash	65,118	65,118
Trade receivables	117,764	117,764
Investment in associates and joint ventures	7,405	7,405
Fixed assets	52,210	52,210
	<u>242,497</u>	<u>242,497</u>
Trade and other payables	85,903	85,903
Loans from financial institutions	20,542	20,542
Minority interest	2,894	2,894
	<u>109,339</u>	<u>109,339</u>
Net assets acquired	133,158	<u>133,158</u>
Goodwill arising on acquisition	427,724	
Total acquisition cost	<u>560,882</u>	

The total acquisition cost of AED 560,882 thousands was paid in cash.

	<i>2006 AED'000</i>
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	65,118
Acquisition cost paid in cash	(560,882)
	<u>(495,764)</u>
Net cash outflow	<u>(495,764)</u>

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

10 BUSINESS COMBINATIONS - continued

Acquisition of Raffles Campus Pte Ltd

During the previous year, the Group acquired 100% of the voting shares of Raffles Campus Pte Limited ("Raffles"), an unlisted limited liability company headquartered in Singapore. Raffles is an education provider in Singapore. During 2006, consolidated financial statements include the results of Raffles from the date of acquisition.

The fair values of the identifiable assets and liabilities of Raffle Campus Pte Limited as at the date of acquisition were:-

	<i>Recognised on acquisition AED'000</i>	<i>Carrying value AED'000</i>
Bank balances and cash	5,037	5,037
Trade receivables	86	86
Other receivables, deposits and prepayments	1,801	1,801
Fixed assets	1,029	1,029
	<u>7,953</u>	<u>7,953</u>
Trade and other payables	2,076	2,076
Minority interest	618	618
	<u>2,694</u>	<u>2,694</u>
Net assets acquired	5,259	<u>5,259</u>
Goodwill arising on acquisition	11,667	
Total acquisition cost	<u>16,926</u>	
The total acquisition cost of AED 16,926 thousands was paid in cash.		
		<i>2006 AED'000</i>
Cash outflow on acquisition:		
Net cash acquired with the subsidiary		5,037
Acquisition cost paid in cash		(16,926)
Net cash outflow		<u>(11,889)</u>

The goodwill recognised above is attributable to the expected synergies and other benefits from combining assets and activities of the above acquired entities with those of the Group. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

11 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2007 AED'000	2006 AED'000
Advances to contractors	1,034,137	881,151
Advances for acquisition of leasehold interest	823,201	617,191
Deposits for acquisition of land	101,400	98,000
Recoverable from minority shareholders	36,876	87,775
Accrued interest on bank deposits and investments	80,936	57,916
Other deposits and receivables	40,329	42,717
Prepayments	179,549	39,657
Receivables from service companies	42,754	36,498
Other recoverable	366,050	228,306
	<u>2,705,232</u>	<u>2,089,211</u>

12 DEPOSIT FOR SHARE CAPITAL OF EMAAR MGF

The Group had advanced AED 1,469,200 thousands as at 31 December 2006 as a deposit to subscribe for additional shares of Emaar MGF Land Ltd. During the year ended 31 December 2007, the additional shares related to this deposit were allotted to the Group.

13 DEVELOPMENT PROPERTIES

	2007 AED'000	2006 AED'000
Cost to date	18,375,549	13,044,601
Add: attributable profit	4,008,364	5,126,116
Less: progress billings	(6,189,893)	(7,049,292)
	<u>16,194,020</u>	<u>11,121,425</u>

During the year ended 31 December 2007, an amount of AED 1,875,000 thousands has been transferred from investment properties to development properties relating to a plot of a land at Al Lusail, UAE.

14 SECURITIES

	2007 AED'000	2006 AED'000
Held-to-maturity	183,650	973,345
Available-for-sale	4,376,992	1,543,647
	<u>4,560,642</u>	<u>2,516,992</u>

Held to maturity securities represent investments with local and international financial institutions which have a fixed lifespan and fixed payments.

Available-for-sale securities include fund investments managed by an external fund manager. Available for sale investments are in quoted, unquoted and index linked securities.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

15 LOANS TO ASSOCIATES

	2007 AED'000	2006 AED'000 <i>(Restated)</i>
Amounts owing by Amlak Finance PJSC	248,667	250,487
Amounts owing by Golden Ace Pte Ltd	116,276	-
Amounts owing by Prestige Resorts SA	70,000	70,000
Amounts owing by Amelkis Resorts SA	54,563	54,256
Amounts owing by Al Shamiya Lettatweer Al Omrani Company (KSA)	27,491	27,491
Amounts owing by Emaar Misr for Development S.A.E	-	424,292
Amounts owing by other associates	20,832	25,321
	<u>537,829</u>	<u>851,847</u>

The amounts owing by Amlak Finance PJSC are unsecured and earn a return at LIBOR plus 120 basis points (2006: LIBOR plus 120 basis points).

The amounts owing by Golden Ace Pte. Ltd is unsecured and earn a return at 8.75% and are fully repayable in April 2008.

16 INVESTMENTS IN ASSOCIATES

	2007 AED'000	2006 AED'000 <i>(Restated)</i>
Carrying value of:		
Investment in Emaar MGF Land Limited (India)	3,757,502	1,811,503
Investment in Emaar The Economic City (Saudi joint stock company) - quoted	2,536,543	2,638,440
Investment in Amlak Finance PJSC – quoted	1,036,386	865,571
Investment in Emaar Misr for Development S.A (Egypt)	-	258,078
Investment in Turner International Middle East Ltd.	220,741	203,201
Investment in Dubai Bank PJSC	764,179	191,875
Investment in Dead Sea Company for Tourist and Real Estate Investment (Jordan)	136,864	137,978
Investment in Emaar Industries and Investment (Pvt) JSC	145,479	111,518
Investment in Al Shamiyah Al Lettatweer Al Omarani Company (KSA)	96,543	96,543
Investment in Emaar Financial Services LLC	43,299	17,047
Investment in Emrill Services LLC	7,113	3,972
Investment in other associates	362,648	258,488
	<u>9,107,297</u>	<u>6,594,214</u>

The market value of the shares held in Amlak Finance PJSC (quoted on Dubai Financial Market) as at 31 December 2007 is AED 3,700,024 thousands (2006: AED 3,696,778 thousands).

The market value of the shares held in Emaar The Economic City (quoted on the Saudi Stock Exchange –Tadawul) as at 31 December 2007 is AED 5,740,134 thousands (2006: AED 4,296,837 thousands).

As at 31 December 2006, an amount of AED 424,292 thousands has been reclassified from investment in associate to loans to associates in order to appropriately reflect the nature of transaction.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

16 INVESTMENTS IN ASSOCIATES - continued

The Group has the following investments in associates:

	<i>Country of incorporation</i>	<i>Ownership</i>	
		<i>2007</i>	<i>2006</i>
Emaar MGF Land Limited	India	41.12%	39.71%
Emaar The Economic City (Saudi Joint Stock Company)	KSA	30.59%	31.76%
Amlak Finance PJSC	UAE	48.08%	48.08%
Dubai Bank PJSC	UAE	30.00%	30.00%
Emaar Industries and Investments (Pvt) JSC	UAE	40.00%	40.00%
Al Shamiyah Al Lettatweer Al Omarani Company (no control or Board representation)	KSA	70.00%	70.00%
Emaar Misr for Development S.A.E	Egypt	-	40.00%
Emaar Financial Services LLC	UAE	37.50%	37.50%
Prestige Resorts S.A.	Morocco	50.00%	50.00%
Amelkis Resorts SA	Morocco	50.00%	50.00%
Orientis Invest	Morocco	50.00%	-
Golden Ace Pte Ltd	Singapore	30.00%	-
Emrill Services LLC	UAE	33.33%	33.33%
Turner International Middle East Ltd.	UAE	50.00%	50.00%
Dead Sea Company for Tourist and Real Estate Investment	Jordan	37.20%	37.20%

In addition, the Group's US subsidiary, WL Homes enters into joint ventures with capital partners and institutional lenders to undertake specific housing projects in the United States.

The following table summarises information of the Group's investments in associates:

	<i>2007</i> <i>AED'000</i>	<i>2006</i> <i>AED'000</i> <i>(restated)</i>
Share of associates' balance sheets:		
Current assets	8,642,670	6,111,969
Non-current assets	7,345,845	4,977,088
Total assets	15,988,515	11,089,057
Current liabilities	7,208,468	3,363,035
Non-current liabilities	1,978,475	2,213,705
Total liabilities	9,186,943	5,576,740
Net assets	6,801,572	5,512,317
Goodwill	1,445,955	1,081,897
Investment in preference shares	859,770	-
	9,107,297	6,594,214
Share of associates' revenues and results:		
Revenues	1,949,142	644,035
Results	402,347	128,110

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

16 INVESTMENTS IN ASSOCIATES - continued

Disposal of Interest in Emrill Services LLC

The Group has disposed of 17.67% of its investment in its subsidiary Emrill Services LLC with effect from 26 November 2006. The Group is deemed to have lost effective control from that date. The operating results of Emrill Services LLC prior to the disposal were as follows:

	<i>1 January 2006 to 25 November 2006 AED '000</i>
Operating income	6,338
General and administrative expenses	(4,105)
Net profit	<u>2,233</u>
Operating cash flows	6,568
Investing cash flows	381
Financing cash flows	(1,382)
Net cash inflow	<u>5,567</u>

The profit on disposal of the Emrill Services LLC (subsidiary) is as follows:

	<i>26 November 2006 AED '000</i>
Total assets	28,251
Total liabilities	(16,509)
Net assets of subsidiary at the date of disposal	<u>11,742</u>
17.67% of interest in net assets of subsidiary disposed	2,074
Less: proceeds from disposal of subsidiary	(6,928)
Profit on disposal of subsidiary	<u>4,854</u>

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements AED '000	Land and buildings AED '000	Computers and office equipment AED '000	Plant, machinery and heavy equipment AED '000	Motor vehicles AED '000	Furniture and other assets AED '000	Capital work in progress AED '000	Total AED '000
Cost								
At 1 January 2007	76,601	822,610	71,388	137,695	12,258	157,562	3,167,631	4,445,745
Reclassification	(44,984)	44,984	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	378	-	1,407	325	-	2,110
Additions	23,852	239,304	34,634	28,288	7,909	122,948	3,239,062	3,695,997
Transfers	-	339,428	-	341,734	-	-	(681,162)	-
Disposals	(5,927)	(76,354)	(5,128)	(71,359)	(1,219)	(3,836)	-	(163,823)
Transfer to investment properties (note 18)	-	-	-	-	-	-	(251,000)	(251,000)
Foreign translation differences	697	19,545	656	7,836	119	6,459	5,161	40,473
At 31 December 2007	50,239	1,389,517	101,928	444,194	20,474	283,458	5,479,692	7,769,502
Accumulated depreciation/ impairment								
At 1 January 2007	6,092	165,941	34,516	7,371	6,040	41,226	-	261,186
Reclassification/transfers	(571)	571	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	62	-	245	49	-	356
Depreciation charge	11,239	56,417	20,690	29,365	3,887	34,060	-	155,658
Disposals	(1,946)	(76,354)	(3,629)	-	(642)	(3,053)	-	(85,624)
Foreign translation differences	89	1,309	263	1,545	60	1,438	-	4,704
At 31 December 2007	14,903	147,884	51,902	38,281	9,590	73,720	-	336,280
Net carrying amount								
At 31 December 2007	35,336	1,241,633	50,026	405,913	10,884	209,738	5,479,692	7,433,222

Capital work in progress as on 31 December 2007 includes assets under construction for future use as investment properties amounting to AED 4,160,014 thousands (31 December 2006: AED 2,365,104 thousands). During the year ended 31 December 2007, an amount of AED 57,828 thousands (2006: Nil) was capitalised as cost of borrowings for the construction of these assets.

As at 31 December 2007, the fair value of revenue generating assets (hotels, service apartments etc.) is AED 3,458,406 thousands compared with a carrying value of AED 1,126,593 thousands (2006: valuation was not carried out).

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

17 PROPERTY, PLANT AND EQUIPMENT - continued

	Leasehold improvements AED '000	Land and buildings AED '000	Computers and office equipment AED '000	Plant, machinery and heavy equipment AED '000	Motor vehicles AED '000	Furniture and other assets AED '000	Capital work in progress AED '000	Total AED '000
Cost								
At 1 January 2006	1,482	397,533	25,797	10,913	9,648	35,598	1,563,601	2,044,572
Reclassification/transfers	-	-	8,591	(8,591)	-	-	(169,390)	(169,390)
Acquisition of subsidiaries	35,040	890	14,665	-	29	23,646	-	74,270
Additions	40,079	424,187	25,221	136,767	5,294	99,197	1,773,420	2,504,165
Disposals	-	-	(2,886)	(1,394)	(2,713)	(879)	-	(7,872)
At 31 December 2006	76,601	822,610	71,388	137,695	12,258	157,562	3,167,631	4,445,745
Accumulated depreciation/ impairment								
At 1 January 2006	1,477	119,407	16,199	5,726	4,908	21,297	-	169,014
Depreciation charge	4,615	46,534	14,245	7,067	2,280	20,699	-	95,440
Reclassification/transfers	-	-	5,422	(5,422)	-	-	-	-
Disposals	-	-	(1,350)	-	(1,148)	(770)	-	(3,268)
At 31 December 2006	6,092	165,941	34,516	7,371	6,040	41,226	-	261,186
Net carrying amount								
At 31 December 2006	70,509	656,669	36,872	130,324	6,218	116,336	3,167,631	4,184,559

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

18 INVESTMENT PROPERTIES

	<i>Land AED '000</i>	<i>Buildings AED '000</i>	<i>Furniture and fixtures AED '000</i>	<i>Total AED '000</i>
Cost				
At 1 January 2007	6,512,100	814,756	3,548	7,330,404
Additions	-	179,628	58	179,686
Disposal	-	(87,275)	-	(87,275)
Transfers	(1,963,253)	(34,707)	-	(1,997,960)
Transfers from property, plant and equipments (note 17)	-	251,000	-	251,000
At 31 December 2007	4,548,847	1,123,402	3,606	5,675,855
Accumulated depreciation/impairment				
At 1 January 2007	291,076	65,775	3,045	359,896
Depreciation charge	-	25,139	161	25,300
Disposal	-	(9,622)	-	(9,622)
Transfers	-	(44,216)	-	(44,216)
Reversal of impairment (note 4)	(291,076)	-	-	(291,076)
At 31 December 2007	-	37,076	3,206	40,282
Net carrying amount At 31 December 2007	<u>4,548,847</u>	<u>1,086,326</u>	<u>400</u>	<u>5,635,573</u>

	<i>Land AED '000</i>	<i>Buildings AED '000</i>	<i>Furniture and fixtures AED '000</i>	<i>Total AED '000</i>
Cost				
At 1 January 2006	6,627,239	631,052	3,548	7,261,839
Additions	-	183,704	-	183,704
Transfers to development properties	(115,139)	-	-	(115,139)
At 31 December 2006	6,512,100	814,756	3,548	7,330,404
Accumulated depreciation/impairment				
At 1 January 2006	291,076	43,556	2,700	337,332
Depreciation charge	-	22,219	345	22,564
At 31 December 2006	291,076	65,775	3,045	359,896
Net carrying amount At 31 December 2006	<u>6,221,024</u>	<u>748,981</u>	<u>503</u>	<u>6,970,508</u>

The fair value of investment properties is AED 11,501,223 thousands (2006: AED 9,483,737 thousands) compared with a carrying value of AED 5,635,573 thousands (2006: AED 6,970,508 thousands).

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

19 TRADE AND OTHER PAYABLES

	2007 AED'000	2006 AED'000
Project contract cost accruals	2,520,769	2,334,710
Advances/deposits from customers for sale of properties	2,879,724	1,931,480
Other payables and accruals	1,710,874	770,035
Trade payables	776,263	349,028
Payable to minority shareholders'	828,016	707,519
Deferred income	27,279	71,667
Dividends payable	61,422	45,322
Income tax payable (note 7)	21,555	55,677
	<u>8,825,902</u>	<u>6,265,438</u>

20 INTEREST-BEARING LOANS AND BORROWINGS

	2007 AED'000	2006 AED'000 (restated)
Balance, beginning of year	3,992,210	238,693
Borrowings acquired in a business combination	730,675	2,187,528
Borrowings drawn down during the year	6,678,059	5,132,975
Borrowings repaid during the year	(3,697,191)	(3,566,986)
Balance, end of year	<u>7,703,753</u>	<u>3,992,210</u>
Maturing within 12 months	1,563,471	2,933,030
Maturing after 12 months	6,140,282	1,059,180
Balance, end of year	<u>7,703,753</u>	<u>3,992,210</u>

The Group has following secured and unsecured interest-bearing loans and borrowings:-

Secured

- USD 65,000 thousands (AED 238,693 thousands) loan from financial institution secured against the Group's specific investment properties and self occupied office building. Profit rate is charged at 6 months US\$ LIBOR plus 70 basis points. The loan is repayable in full in 2009.

- USD 666,481 thousands (AED 2,447,985 thousands) loan from financial institutions, secured against real estate owned by the Group in the United States of America, carries interest at the US Prime Rate plus 0.25% to 5% and matures at various dates to 2010.

- Indian rupees (INR) 1,380,000 thousands (AED 128,612 thousands) loan from financial institutions, secured by way of first charge on certain immovable properties and receivables, carries interest at bench mark rate plus 3.33% and loan is repayable in quarterly instalments commencing in 2008 and fully repayable by 2016.

- Turkish Lira (TRY) 69,882 thousands (AED 220,475 thousands) loan from commercial bank, carries interest at Libor plus 1.1%. Loan is repayable in instalments commencing from 2008 and fully repayable by 2010.

- Canadian Dollar (CAD) 6,418 thousands (AED 23,979 thousands) loan from financial institution, secured against real estate owned by the Group, carries interest at Prime Rate plus 0.125% and fully repayable by 2009.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

20 INTEREST-BEARING LOANS AND BORROWINGS - continued

Unsecured

- USD 25,000 thousands (AED 91,825 thousands) loan from financial institutions in the United States of America is unsecured, carries interest at US Prime Rate plus 0.25% to 1% and matures in 2008.

- GBP 1,000 thousands (AED 7,370 thousands) short term loan from financial institutions is unsecured, carries interest at 6.77%.

- Pakistani rupee (PKR) 1,362,596 thousands (AED 80,919 thousands) loan from commercial bank, bearing interest at KIBOR plus 1.25%.

- Egyptian Pound (EGP) 639,016 thousands (AED 425,872 thousands) of funding facilities from commercial banks, carries interest at rates ranging from 9.75% to 10.50%.

- GBP 5,227 thousands (AED 38,519 thousands) of funding facilities from commercial bank, carries interest at 6.50%.

- USD 1,000,000 thousands (AED 3,673,000 thousands) of Musharaka Islamic Syndicated facility. This facility is repayable in 2012 with an option of early repayment without penalty to the Group and bears a profit rate of LIBOR plus 0.6%.

- Egyptian Pound (EGP) 260,786 thousands (AED 173,800 thousands) of funding facilities from commercial banks, carries interest at rates ranging from 10.25% to 10.50%.

- Egyptian Pound (EGP) 79,081 thousands (AED 52,704 thousands) short term loan from commercial bank with a maturity of less than one year, carries interest at US LIBOR plus 0.70%.

- AED 100,000 thousands short term loan from commercial bank with a maturity of less than one year, carries interest at 5.75% per annum.

The Group's subsidiary holding borrowings was in breach of certain of its loan covenants, the Group has committed to ensure that the position is rectified.

21 RETENTIONS PAYABLE

	2007 AED'000	2006 AED'000
Retentions payable within 12 months	511,111	455,591
Retentions payable after 12 months	543,449	420,236
	<u>1,054,560</u>	<u>875,827</u>

22 EMPLOYEE BENEFITS

Employee Performance Share Programme

The Company has an Employee Performance Share Programme ("The Programme") to recognise and retain good performing staff. The Programme gives the employee the right to purchase the Company's shares at par. The shares carry full dividend and voting rights, and the option can be exercised at any time from the stipulated vested dates on the condition that the employee is still under employment at the exercise date. There are no cash settlement alternatives and the options have no contractual expiry date.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

22 EMPLOYEE BENEFITS - continued

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2007		2006	
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	1,499,236	AED 1.00	2,644,156	AED 1.00
Granted during the year	1,427,796	AED 1.00	669,503	AED 1.00
Forfeited during the year	-	-	(355,815)	AED 1.00
Exercised during the year	(1,480,983)	AED 1.00	(1,458,608)	AED 1.00
Outstanding at the end of the year	<u>1,446,049</u>	<u>AED 1.00</u>	<u>1,499,236</u>	<u>AED 1.00</u>

The weighted average fair value of options granted during the year was AED 12.60 per share (2006: AED 12.05 per share).

The fair value of the vested shares is determined by reference to the official price list published by the Dubai Financial Market (DFM) for the 5 consecutive trading days prior to and after the vested date. As the options are granted deep in the money, management considers this to be an appropriate means of valuation.

The expenses recognised during the year in respect of the programme were AED 16,565 thousands (2006: AED 18,751 thousands).

End of Service Benefits

The movement in the provision for employees' end of service benefits was as follows:

	2007 AED'000	2006 AED'000
Balance, beginning of year	11,992	9,035
Provision made during the year	9,779	5,874
End of service benefits paid	(3,377)	(2,917)
Balance, end of year	<u>18,394</u>	<u>11,992</u>

An actuarial valuation has not been performed as the net impact of discount rates and future increases in staff salaries is not likely to be material.

23 SHARE CAPITAL

	2007 AED'000	2006 AED'000
Authorised capital – 6,096,325,000 shares of AED 1 each (31 December 2006: 6,096,325,000 shares of AED 1 each)	<u>6,096,325</u>	<u>6,096,325</u>
Issued and fully paid-up – 6,091,238,503 shares of AED 1 each (31 December 2006 - 6,075,552,999 shares of AED 1 each)	<u>6,091,239</u>	<u>6,075,553</u>

During the year ended 31 December 2007, 15,686 thousands shares of AED 1 each were issued at a premium of AED 4 per share to the shareholders who had opted for additional shares at the time of rights issue in 2005.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

24 RESERVES

	Statutory reserve AED '000	Capital reserve AED '000	General reserves AED '000	Hedging reserves AED '000	Net unrealised gains/(losses) reserve AED '000	Foreign currency translation reserve AED '000	Total AED '000
Balance at 1 January 2006	12,564,454	4,004	857,468	-	496,308	419	13,922,653
(Decrease) in unrealised reserve	-	-	-	-	(1,080,090)	-	(1,080,090)
Increase in foreign currency translation reserve	-	-	-	-	-	7,897	7,897
Net income and expense recognised directly in equity	-	-	-	-	(1,080,090)	7,897	(1,072,193)
Net movement during the year	-	-	637,115	-	-	-	637,115
Share premium	1,181,509	-	-	-	-	-	1,181,509
Balance at 1 January 2007	13,745,963	4,004	1,494,583	-	(583,782)	8,316	14,669,084
Increase in unrealised reserve	-	-	-	6,084	636,460	-	642,544
Increase in foreign currency translation reserve	-	-	-	-	-	462,875	462,875
Net income and expense recognised directly in equity	-	-	-	6,084	636,460	462,875	1,105,419
Net movement during the year	-	-	657,531	-	-	-	657,531
Share premium	62,744	-	-	-	-	-	62,744
Balance at 31 December 2007	13,808,707	4,004	2,152,114	6,084	52,678	471,191	16,494,778

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

24 RESERVES - continued

According to Article number 57 of the Articles of Association of the Company and Article 193 of the U.A.E. Federal Commercial Companies Law, 10% of annual net profits are allocated to the statutory reserve and another 10% to the general reserve. The transfers to statutory reserve may be suspended when the reserve reaches 50% of the paid-up capital. Transfers to general reserve may be suspended by the ordinary general assembly when the reserve reaches 50% of the paid-up capital.

The statutory reserve is in excess of 50% of the paid-up share capital of the group and therefore in accordance with a resolution of the Annual General Meeting the group has ceased further transfers to this reserve.

The statutory reserve includes:

- AED 2,475,000 thousands being the premium collected at AED 15 per share (shares par value at that time was AED 10 per share) on the 1:1.65 rights issue during the year ended 31 December 1998; and
- AED 11,321,656 thousands being the premium collected to date at AED 4 per share on the 1:1 rights issue announced during the year ended 31 December 2005.

The capital reserve was created from gain on sale of treasury shares in 2003.

Net unrealised gains/(losses) reserve:

- This reserve records fair value changes in available for sale investments.

Foreign currency translation reserve:

- The foreign currency translation reserve is used to record exchange difference arising from translation of the financial statements of foreign subsidiaries.

25 DIVIDENDS

A cash dividend of AED 0.20 per share dividend for 2006 was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 11 March 2007 and was subsequently paid during the year.

A cash dividend of AED 0.20 per share dividend for 2007 is proposed by the board of directors of the Company subject to the approval of the shareholders in the Annual General Meeting.

26 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average numbers of shares outstanding during the year and the previous year have been adjusted for events that have changed the number of shares outstanding without a corresponding change in resources. For diluted earnings per share, the weighted average numbers of shares have been adjusted for rights issue shares to be allotted after the year end. The information necessary to calculate basic and diluted earnings per share is as follows:

	2007 AED'000	2006 AED'000
Earnings:		
Net profit for the year attributable to equity holders of the Parent	<u>6,575,314</u>	<u>6,371,147</u>
Shares (in thousands):		
Weighted average number of shares outstanding for calculating basic and diluted EPS	<u>6,091,239</u>	
 Basic earnings per share	<u>AED 1.08</u>	<u>AED 1.05</u>
 Diluted earnings per share	<u>AED 1.08</u>	<u>AED 1.05</u>

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

27 CONTINGENCIES AND COMMITMENTS

Guarantees

The Group has the following guarantees outstanding as at 31 December 2007:-

1. Loans taken by an associated company from commercial banks amounting to AED 312,059 thousands (31 December 2006: AED 426,162 thousands) are guaranteed by the Group.
2. Loans taken by an associated company from commercial banks amounting to AED 1,670,041 thousands (31 December 2006: 937,386 thousands) are guaranteed by the Group. The majority shareholder in the associate has provided the Group a counter guarantee and indemnity up to its share of liability for any claim made against the Group arising from the guarantee.
3. The Group has issued a financial guarantee of AED 79,974 thousands as a security for the letter of guarantee issued by a commercial bank for the performance of its contractual obligations.
4. The Group has availed a bank guarantee of AED 110,190 thousands (31 December 2006: AED 73,460 thousands) from a commercial bank as a security for borrowings by Groups' international subsidiary.
5. The Group has issued a financial guarantee of AED 749 thousands as a security for the letter of guarantee issued by a commercial bank for the performance of its contractual obligations to Road & Transport Authority (RTA), Government of Dubai.
6. The Group has provided a financial guarantee of AED 5,000 thousands (31 December 2006: AED 5,000 thousands) as a security for the letter of guarantee issued by a commercial bank for issuance of trade license from Government of Dubai.
7. The Group has provided a corporate guarantee of AED 110,190 thousands (31 December 2006: AED 55,095 thousands) to a commercial bank as a security for the guarantees issued by the bank on behalf of the associated company of the Group.
8. The Group provided a court guarantee to the arbitrator panel and plaintiff of AED 44,079 thousands (SAR 45,000 thousands) in connection with a legal suit filed against the Company.

Commitments

As of 31 December 2007, the Group had commitments of AED 17,766,165 thousands (2006: AED 13,263,885 thousands) including project commitments of AED 16,951,069 thousands (2006: AED 13,234,410 thousands). This represents the value of contracts issued as of 31 December 2007 net of invoices received and accruals made at that date.

Operating Lease commitments – Group as lessee

The Group has entered into various operating lease agreements for properties, office facilities and equipment. Future minimum payments under these operating leases are as follows:-

	<i>31 December 2007 AED'000</i>	<i>31 December 2006 AED'000</i>
Within one year	454,109	243,277
After one year but not more than five years	875,571	1,303,675
	<u>1,329,680</u>	<u>1,546,952</u>

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

27 CONTINGENCIES AND COMMITMENTS - continued

Legal claim

The Company is involved in arbitration proceedings with another party (Jadawel International Company) with regard to a proposed joint venture for a real estate development project in the Kingdom of Saudi Arabia. In the opinion of the Company the conditions precedent to the joint venture agreement were not met and accordingly the agreement was never consummated. The other party is claiming that the Company should be required to fulfill its obligations under the joint venture agreement and proceed with the proposed project. In the opinion of the Company and its legal advisors, Company has good arguments to refute substantially all of the other parties' claims and no liability will ultimately arise to the Company.

28 TRANSACTIONS WITH RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions

During the financial year, there were the following significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

	2007 AED'000	2006 AED'000
Associates:		
Net interest income on deposits / investments from Dubai Bank PJSC	-	5,923
Islamic finance income from Amlak Finance PJSC	23,461	28,312
Other related parties:		
Islamic finance income from Al Salam Bank	6,437	1,438
Net interest income on deposits / investments from Mashreq Bank PSC	-	12,838
Profit received on investment deposits with Dubai Islamic Bank	-	2,444

The members of the board of directors received attendance fees totalling AED 3,190 thousands (2006: AED 900 thousands).

Related party balances

Significant related party balances (and the balance sheet captions within which these are included) are as follows:

	2007 AED'000	2006 AED'000
Associates:		
Fixed deposits with Dubai Bank PJSC	130,000	-
Other related parties:		
Held to maturity Mudaraba deposits with Al Salaam Bank	-	55,095
Investment in Al Salaam Bank, Sudan	28,433	34,838
Investment in Al Salaam Bank, Bahrain	91,432	58,637
Investment in Al Salaam Bank, Algeria	20,202	20,202

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

28 TRANSACTIONS WITH RELATED PARTIES - continued

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2007 AED'000	2006 AED'000
Short-term benefits	315,489	291,188
Employees' end of service benefits	9,998	3,922
Performance share programme	8,493	8,745
	<u>333,980</u>	<u>303,855</u>

As at 31 December 2007, the number of directors and other members of key management was 179 (31 December 2006: 145).

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, trade payables and loans given. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivative transactions, primarily forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout 2007 and 2006 the Group's policy that no trading in derivatives shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. Interest on financial instruments having floating rates is repriced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument. Other than commercial and overall business conditions, the Group's exposure to market risk for changes in interest rate environment relates mainly to its bank borrowings, debt instruments, investment in financial products and fixed deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	2007		2006	
	<i>Change in basis points</i>	<i>Sensitivity of net interest income AED'000</i>	<i>Change in basis points</i>	<i>Sensitivity of net interest income AED'000</i>
Currency				
AED	+10	2,977	+10	1,663

The interest rate sensitivity set out above relates primarily to the Dirham as the Group does not have any significant net exposure for non-trading financial assets and financial liabilities denominated in currencies other than the Dirham or currencies pegged to the Dirham and US Dollars.

The investments in financial products are not for trading or speculative purposes but placed in securities or fixed deposits, with the objective of achieving better returns than cash at bank. The interest rates on loans to associates are described in note 15. Interest rates on loans from financial institutions are disclosed in note 20.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2007 on its non trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the AED, with all other variables held constant on the income statement (due to the fair value of currency sensitive non trading monetary assets and liabilities) and equity (due to change in the fair value of currency swaps used as cash flow hedges). A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase.

Currency	<i>Change in currency rate in % 2007</i>	<i>Effect on equity 2007 AED'000</i>	<i>Change in currency rate in % 2006</i>	<i>Effect on equity 2006 AED'000</i>
GBP	+10	15,742	+10	15,223
Other currencies not pegged to US Dollar	+10	442,973	+10	364,550

There is no significant impact of reasonable possible movement of the currency rates on the income statement.

As the UAE Dirham is pegged to the US Dollar, balances in US Dollars and other currencies pegged against US Dollars are not considered to represent significant currency risk

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial investments and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2007

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Liquidity risk - continued

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Financial liabilities	On demand AED'000	Less than 3 months AED'000	3 to 12 months AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
As at 31 December 2007						
Due to banks	788,677	405,786	882,557	6,949,451	45,329	9,071,800
Retention payable	-	102,222	408,889	543,449	-	1,054,560
Payable to minority shareholders	-	-	-	828,016	-	828,016
Other liabilities	621,010	155,253	-	-	-	776,263
Total undiscounted financial liabilities	1,409,687	663,261	1,291,446	8,320,916	45,329	11,730,639
As at 31 December 2006						
Due to banks	35,832	1,369,920	1,730,233	1,197,708	55,265	4,388,958
Retention payable	-	91,118	364,473	420,236	-	875,827
Payable to minority shareholders	-	-	-	707,519	-	707,519
Other liabilities	279,222	69,806	-	-	-	349,028
Total undiscounted financial liabilities	315,054	1,530,844	2,094,706	2,325,463	55,265	6,321,332

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments held as available-for-sale at 31 December 2007) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2007		2006	
	Change in equity price %	Effect on equity AED'000	Change in equity price %	Effect on equity AED'000
Quoted investments	10%	201,726	10%	116,223

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2007 and 31 December 2006.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 33% and 50%. The Group includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent less the net unrealised gains reserve. As at 31 December 2007, Groups' gearing ratio is 13% (31 December 2006: 8%).

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

30 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include bank balances and cash, trade receivables, securities, loans and advances, other receivables, investments in associates and due from related parties. Financial liabilities of the Group include customer deposits, loans from financial institutions, accounts payable and retentions payable.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

31 HEDGING ACTIVITIES

Cash flow hedges

At 31 December 2007, the Group held certain forward exchange contracts designated as hedges of expected future payments under construction contracts entered by its subsidiaries for which the Group has firm commitments. The forward exchange contracts are being used to hedge the foreign currency risk of the firm commitments. The nominal amounts of these contracts are AED 129,864 thousands.

	2007		2006	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
	<i>AED' 000</i>	<i>AED' 000</i>	<i>AED' 000</i>	<i>AED' 000</i>
<i>Forward exchange contracts</i>				
Fair Value	<u>6,084</u>	<u>-</u>	<u>-</u>	<u>-</u>

32 MARKET VALUE OF LAND

The carrying value of land included in investment properties, property plant and equipment and development properties at 31 December 2007 comprised purchased land at cost and donated land at nominal value. The fair value of such land was determined by the Group based on valuations carried out by independent valuers. The total fair value of the purchased and donated land included in development properties was AED 43,674,609 thousands (2006: AED 29,208,477 thousands) compared with a carrying value of AED 8,793,840 thousands (2006: AED 3,911,782 thousands). The fair value of land forming part of property, plant and equipment and investment properties are included under fair value disclosure in note 17 and 18 respectively. The value of the land does not include the land owned by the associated companies of the Group.